

MAYFIELD INDEPENDENT SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS**

Year ended June 30, 2012

MAYFIELD INDEPENDENT SCHOOL DISTRICT
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2012

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9
Governmental Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	10
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	11
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	13
Proprietary Fund Financial Statements:	
Statement of Net Assets – Proprietary Funds.....	14
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds	15
Statement of Cash Flows – Proprietary Funds	16
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets – Fiduciary Funds.....	17
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.....	18
Notes to the Basic Financial Statements	19-34

MAYFIELD INDEPENDENT SCHOOL DISTRICT
TABLE OF CONTENTS - CONTINUED
YEAR ENDED JUNE 30, 2012

Required Supplementary Information:

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	35
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Fund.....	36

Other Supplementary Information:

Combining Balance Sheet – Nonmajor Governmental Funds.....	37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	38
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Debt Service Funds	39
Combining Balance Sheet – School Activity Funds.....	40
Combining Statement of Revenues, Expenditures and Due To – School Activity Funds	41
Statement of Receipts, Disbursements and Due To – Mayfield Independent High School	42
Combining Balance Sheet – Private Purpose Trust Funds.....	43
Combining Statement of Revenues, Expenditures and Changes in Net Assets Held in Trust – Private Purpose Trust Funds.....	44

Reports Required by the Single Audit Act:

Schedule of Expenditures of Federal Awards	45
Notes to the Schedule of Expenditures of Federal Awards.....	46
Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	47-48
Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	49-50
Schedule of Findings and Questioned Costs	51
Schedule of Prior Year Audit Findings	52

Management Letter Points:

Independent Auditor's Transmittal Letter for Management Letter Points.....	53
Management Letter Comments.....	54-56

INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
and Members of the Board of Education
Mayfield Independent School District
Mayfield, Kentucky

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mayfield Independent School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Mayfield Independent School District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract – General Audit Requirements*, *Appendix II to the Independent Auditor's Contract – State Audit Requirements*, *Appendix III to the Independent Auditor's Contract – Audit Extension Request*, and *Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mayfield Independent School District as of June 30, 2012 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated October 25, 2012, on my consideration of the Mayfield Independent School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 35 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mayfield Independent School District's financial statements taken as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in dark ink, appearing to read "Kim Glan". The signature is written in a cursive, somewhat stylized font.

Benton, Kentucky
October 25, 2012

**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

As management of the Mayfield Independent School District, we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning general fund balance for the District was \$2,422,203 and the ending balance was \$2,610,845.
- The District had a combined fund balance for all governmental funds on July 1, 2010 of \$1.542 million. The balance increased to \$2.434 million by June 30, 2011 and to \$2.616 million by June 30, 2012. The increase was primarily due to decreases in expenditures, particularly for capital outlay. The net assets of the proprietary fund increased from \$562,000 at July 1, 2010 to \$612,000 by June 30, 2011 to \$707,000 by June 30, 2012. The increase was primarily due to an increase in federal grant funds received.
- The Mayfield Middle School roof was renovated and a special room was developed at a cost of approximately \$82,000.
- The Mayfield High School roof project was begun with basic architect fees being paid.
- The District’s technology status was upgraded by providing an iPad to all certified personnel.
- The Mayfield High School and Mayfield Middle School cafeterias were renovated.
- A new work vehicle was purchased for the maintenance/transportation department for \$22,326.
- The District began a security camera system for Mayfield Middle School and Mayfield High School in co-operation with the City of Mayfield.
- Asbestos was removed from the north wing and part of the gym from the central office building and replaced with commercial tile.
- Recreational improvements to Mayfield Elementary School were made by pouring a concrete pad and installing new basketball goals.
- Excluding interfund transfers, the General Fund had \$12,513,862 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Revenues increased \$1.264 million from the prior year, primarily due to an increase in state funding. Excluding interfund transfers, there was \$12,551,623 in General Fund expenditures. Expenditures increased \$1.939 million from the prior year, primarily within the instruction function.
- There were no significant changes in any of the individual funds affecting the availability of fund resources for future use.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District’s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 8 through 9 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary fund is our food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 10 through 18 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 34 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$9,610,002 as of June 30, 2012. The largest portion of the District’s net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment, and construction in progress) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District’s financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

	Net Assets for the period ending	
	June 30, 2012	June 30, 2011
Current Assets	\$ 3,562,490	\$ 3,017,964
Noncurrent Assets	14,259,539	14,653,806
Other Assets	<u>78,189</u>	<u>56,870</u>
Total Assets	<u>\$ 17,900,218</u>	<u>\$ 17,728,640</u>
Current Liabilities	\$ 1,195,339	\$ 907,838
Noncurrent Liabilities	<u>7,094,877</u>	<u>7,715,724</u>
Total Liabilities	<u>\$ 8,290,216</u>	<u>\$ 8,623,562</u>
Net Assets		
Investment in capital assets (net of debt)	\$ 6,840,319	\$ 6,653,235
Restricted	516,594	344,159
Unrestricted Fund Balance	<u>2,253,089</u>	<u>2,107,684</u>
Total Net Assets	<u>\$ 9,610,002</u>	<u>\$ 9,105,078</u>

Comments on Budget Comparisons

- There were no significant variations between the original and final budget amounts.
- The General Fund's total revenues for the fiscal year ended June 30, 2012, net of interfund transfers, were \$12,513,862.
- General fund budget compared to actual revenue varied slightly from line item to line item with the actual revenues (excluding on behalf revenues, which are not budgeted) being \$1,562,312 more than budget. The categories with the largest difference from budgeted amounts were the SEEK program (\$637,458 more than budget), general property taxes (\$445,473 more than budget), local income from services (\$165,796 more than budget) and utility taxes (\$82,868 more than budget).
- The total cost of all General Fund programs and services, net of debt service, was \$12,551,623.
- General fund budget compared to actual expenditures varied slightly from line item to line item with the actual expenditures (excluding on behalf expenditures, which are not budgeted, and the contingency) being \$62,953 less than budget.
- One major difference in the budgeted revenues and expenditures when compared to actual amounts were the recording of payments made by the state of on behalf payments, such as matching teacher retirement and health insurance. These payments are not required to be budgeted; however, they are required to be recorded in order to comply with generally accepted accounting principles. The total payments made in the current year by the state on behalf of the district recorded in the general fund were \$2,493,580.

The following table presents a summary of governmental and business-type revenue and expense for the fiscal year ended June 30, 2012 as compared to the fiscal year ended June 30, 2011.

**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

	June 30, 2012	June 30, 2011
Program Revenues:		
Charges for services – food services	\$ 103,803	\$ 97,435
Charges for services – governmental	240,148	142,704
Operating grants – food services	1,062,299	929,152
Operating grants – governmental	4,787,574	5,662,652
Capital grants – governmental	<u>786,298</u>	<u>1,128,244</u>
Total Program Revenues	<u>6,980,122</u>	<u>7,960,187</u>
General Revenues:		
Taxes	3,299,130	3,094,451
Earnings on investments	43,164	42,091
State and formula grants	6,635,428	6,156,737
Miscellaneous	<u>27,162</u>	<u>3,146</u>
Total General Revenues	<u>10,004,884</u>	<u>9,296,425</u>
Expenses:		
Instruction	9,653,318	9,865,383
Student support services	392,335	280,335
Instructional support	714,489	543,186
District administration	758,131	697,322
School administration	876,388	611,644
Business support	215,399	227,686
Plant operations	1,643,219	1,602,821
Student transportation	692,868	623,519
Community services	188,258	199,776
Interest on long term debt	256,003	306,979
Loss on disposal of assets	415	1,688
Food service operation	1,076,347	979,956
Other Debt service	<u>12,912</u>	<u>12,912</u>
Total Expenses	<u>16,480,082</u>	<u>15,953,207</u>
Change in Net Assets	504,924	1,303,405
Beginning Net Assets	<u>9,105,078</u>	<u>7,801,673</u>
Ending Net Assets	<u>\$ 9,610,002</u>	<u>\$ 9,105,078</u>

General Fund Revenue

The majority of revenue was derived from state funding (\$9,220,307) making up 74% of total revenue and \$2,776,413 from local taxes (24%).

General Fund Expenditures

The largest category of expenditures was for instruction (59%), followed by plant operations and maintenance (12%), school administration support services (7%), district administration support services (6%), instructional staff support services (6%), student transportation (5%), student support services (3%), and business support services (2%).

**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2012, the District had \$14,259,539 invested in land, buildings, and equipment. Of that amount, \$13,987,358 is in governmental activities.

See Note E for a breakdown of additions by class on page 28.

Debt Administration

The District had \$7,989,763 in bonds payable outstanding on June 30, 2012. A total of \$647,811 is due within one year.

See Note F on pages 29-30 for a detailed list of bonds payable.

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget with \$867,550 in contingency (8%). The beginning general fund balance for beginning the fiscal year was \$2,422,203.

Mayfield Independent Public Schools received federal grants in the amount of \$1,671,314 and are awarded on an October 1 to September 30 period. They also received state grants in the amount of \$417,971 that are awarded on a July 1 through June 30 fiscal year period.

Questions regarding this report should be directed to the Superintendent Lonnie Burgett or by mail at 914 East College Street, Mayfield, KY 42066.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2012

	Governmental Activities	Business- Type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 2,643,573	\$ 400,870	\$ 3,044,443
Accounts receivable:			
Taxes - current	133,163	0	133,163
Taxes - delinquent	8,031	0	8,031
Accounts receivable	11,278	500	11,778
Intergovernmental - state	491	0	491
Intergovernmental - indirect federal	252,428	0	252,428
Inventory	0	44,045	44,045
Prepaid expenses	68,111	0	68,111
Total current assets	<u>3,117,075</u>	<u>445,415</u>	<u>3,562,490</u>
Noncurrent Assets:			
Capital assets	24,330,761	574,352	24,905,113
Less: Accumulated depreciation	<u>(10,343,403)</u>	<u>(302,171)</u>	<u>(10,645,574)</u>
Total noncurrent assets	<u>13,987,358</u>	<u>272,181</u>	<u>14,259,539</u>
Other Assets:			
Unamortized bond issue costs	78,189	0	78,189
Total other assets	<u>78,189</u>	<u>0</u>	<u>78,189</u>
TOTAL ASSETS	<u><u>\$ 17,182,622</u></u>	<u><u>\$ 717,596</u></u>	<u><u>\$ 17,900,218</u></u>
LIABILITIES :			
Current Liabilities:			
Accounts payable	\$ 155,678	\$ 364	\$ 156,042
Deferred revenue	311,170	0	311,170
Current portion of bond obligations	595,000	0	595,000
Less: Current portion of unamortized bond discount	(9,588)	0	(9,588)
Less: Current portion of deferred loss on early debt retirement	(1,646)	0	(1,646)
Current portion of KISTA notes payable	52,811	0	52,811
Current portion of accrued sick leave	34,675	1,140	35,815
Interest payable	55,735	0	55,735
Total current liabilities	<u>1,193,835</u>	<u>1,504</u>	<u>1,195,339</u>
Noncurrent Liabilities:			
Noncurrent portion of bond obligations	7,160,000	0	7,160,000
Less: Noncurrent portion of unamortized bond discount	(84,339)	0	(84,339)
Less: Noncurrent portion of deferred loss on early debt retirement	(452,516)	0	(452,516)
Noncurrent portion of KISTA notes payable	181,952	0	181,952
Noncurrent portion of accrued sick leave	280,554	9,226	289,780
Total noncurrent liabilities	<u>7,085,651</u>	<u>9,226</u>	<u>7,094,877</u>
TOTAL LIABILITIES	<u><u>\$ 8,279,486</u></u>	<u><u>\$ 10,730</u></u>	<u><u>\$ 8,290,216</u></u>
NET ASSETS:			
Invested in capital assets, net of related debt	\$ 6,568,138	\$ 272,181	\$ 6,840,319
Restricted for:			
Debt service	4,707	0	4,707
SBDM	77,202		77,202
Food service	0	434,685	434,685
Unrestricted	2,253,089	0	2,253,089
TOTAL NET ASSETS	<u><u>\$ 8,903,136</u></u>	<u><u>\$ 706,866</u></u>	<u><u>\$ 9,610,002</u></u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities:							
Instruction	\$ 9,653,318	\$ 240,148	\$ 3,508,140	\$ 786,298	\$ (5,118,732)	\$ 0	\$ (5,118,732)
Support Services:							
Student	392,335	0	87,052	0	(305,283)	0	(305,283)
Instructional Staff	714,489	0	251,455	0	(463,034)	0	(463,034)
District Administration	758,131	0	67,412	0	(690,719)	0	(690,719)
School Administration	876,388	0	205,941	0	(670,447)	0	(670,447)
Business	215,399	0	89,455	0	(125,944)	0	(125,944)
Plant operations and maintenance	1,643,219	0	261,822	0	(1,381,397)	0	(1,381,397)
Student transportation	692,868	0	113,234	0	(579,634)	0	(579,634)
Community service activities	188,258	0	195,475	0	7,217	0	7,217
Interest on long-term debt	256,003	0	7,588	0	(248,415)	0	(248,415)
Loss on disposal of fixed assets	415	0	0	0	(415)	0	(415)
Other debt service	12,912	0	0	0	(12,912)	0	(12,912)
Total governmental activities	15,403,735	240,148	4,787,574	786,298	(9,589,715)	0	(9,589,715)
Business-Type Activities:							
Food service	1,076,347	103,803	1,062,299	0	0	89,755	89,755
Total business-type activities	1,076,347	103,803	1,062,299	0	0	89,755	89,755
Total primary government	\$ 16,480,082	\$ 343,951	\$ 5,849,873	\$ 786,298	(9,589,715)	89,755	(9,499,960)
General Revenues:							
Taxes:							
Property					2,265,719	0	2,265,719
Motor Vehicle					265,862	0	265,862
Utilities					682,869	0	682,869
In Lieu of					84,680	0	84,680
Earnings on Investments					38,463	4,701	43,164
State and formula grants					6,635,428	0	6,635,428
Miscellaneous					27,162	0	27,162
Change in net assets					410,468	94,456	504,924
Net assets at July 1, 2011					8,492,668	612,410	9,105,078
Net assets at June 30, 2012					<u>\$ 8,903,136</u>	<u>\$ 706,866</u>	<u>\$ 9,610,002</u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS AND RESOURCES:				
Cash and cash equivalents	\$ 2,557,014	\$ 81,852	\$ 4,707	\$ 2,643,573
Accounts receivable:				
Taxes - current	133,163	0	0	133,163
Taxes - delinquent	8,031	0	0	8,031
Accounts receivable	11,278	0	0	11,278
Intergovernmental - state	0	491	0	491
Intergovernmental - indirect federal	18,185	234,243	0	252,428
Prepaid expenses	68,111	0	0	68,111
TOTAL ASSETS AND RESOURCES	<u>\$ 2,795,782</u>	<u>\$ 316,586</u>	<u>\$ 4,707</u>	<u>\$ 3,117,075</u>
LIABILITIES AND FUND BALANCE:				
LIABILITIES:				
Accounts payable	\$ 150,262	\$ 5,416	\$ 0	\$ 155,678
Deferred revenue	0	311,170	0	311,170
Current portion of accrued sick leave	34,675	0	0	34,675
TOTAL LIABILITIES	<u>184,937</u>	<u>316,586</u>	<u>0</u>	<u>501,523</u>
FUND BALANCES:				
Nonspendable:				
Prepays	68,111	0	0	68,111
Restricted:				
Debt service	0	0	4,707	4,707
Committed:				
Sick leave	280,554	0	0	280,554
SBDM carryover	77,202	0	0	77,202
Unassigned	2,184,978	0	0	2,184,978
TOTAL FUND BALANCES	<u>2,610,845</u>	<u>0</u>	<u>4,707</u>	<u>2,615,552</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,795,782</u>	<u>\$ 316,586</u>	<u>\$ 4,707</u>	<u>\$ 3,117,075</u>

See independent auditor's report and accompanying notes to financial statements

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS**

June 30, 2012

Total fund balance per fund financial statements	\$2,615,552
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Cost	24,330,761	
Accumulated depreciation	<u>(10,343,403)</u>	13,987,358

Deferred charges including debt issue costs are amortized in the governmental activities, but were recognized in full in the governmental funds.	78,189
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Certain liabilities including interest payable are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net assets.	(55,735)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bond and lease obligations	(7,206,911)	
KISTA notes payable	(234,763)	
Accrued sick leave payable	<u>(280,554)</u>	<u>(7,722,228)</u>

Net assets for governmental activities	<u><u>\$ 8,903,136</u></u>
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See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
From Local Sources:				
Taxes:				
Property	\$ 1,939,863	\$ 0	\$ 325,856	\$ 2,265,719
Motor Vehicle	265,862	0	0	265,862
Utilities	682,869	0	0	682,869
In Lieu of	84,680	0	0	84,680
Earnings on Investments	38,463	0	0	38,463
Other local revenues	192,998	105,782	0	298,780
Intergovernmental - State	9,220,307	417,971	793,886	10,432,164
Intergovernmental - indirect federal	74,352	1,671,314	0	1,745,666
TOTAL REVENUES	12,499,394	2,195,067	1,119,742	15,814,203
EXPENDITURES:				
Current:				
Instruction	7,420,565	1,762,835	0	9,183,400
Support Services:				
Student	383,355	0	0	383,355
Instructional Staff	698,500	136,884	0	835,384
District Administration	795,752	0	0	795,752
School Administration	870,758	0	0	870,758
Business	204,026	0	0	204,026
Plant operations and maintenance	1,480,186	126,407	201	1,606,794
Student transportation	685,442	0	0	685,442
Community service activities	0	195,475	0	195,475
Facilities acquisition and construction	0	0	87,415	87,415
Debt service	13,039	0	917,037	930,076
TOTAL EXPENDITURES	12,551,623	2,221,601	1,004,653	15,777,877
Excess (deficit) of revenues over expenditures	(52,229)	(26,534)	115,089	36,326
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of fixed assets	14,468	0	0	14,468
Proceeds of revenue refunding bonds	0	0	5,610,000	5,610,000
Payment to refunded bond escrow agent	0	0	(5,351,296)	(5,351,296)
Payment of bond issue costs	0	0	(54,200)	(54,200)
Discounts on bonds sold	0	0	(72,642)	(72,642)
Call premium on refunded bonds	0	0	(625)	(625)
Operating transfers in	365,377	26,534	851,636	1,243,547
Operating transfers out	(138,974)	0	(1,104,573)	(1,243,547)
TOTAL OTHER FINANCING SOURCES (USES)	240,871	26,534	(121,700)	145,705
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	188,642	0	(6,611)	182,031
Fund Balance, July 1, 2011	2,422,203	0	11,318	2,433,521
Fund Balance, June 30, 2012	\$ 2,610,845	\$ 0	\$ 4,707	\$ 2,615,552

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES**
 For the Year Ended June 30, 2012

Net change in total fund balances per fund financial statements	\$	182,031
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Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense for the year.

Depreciation expense	(716,689)	
Capital outlays	<u>344,693</u>	(371,996)

Gross proceeds from the sale of capital assets are reported as revenue in the governmental funds because they provide current financial resources. However, in the statement of activities, the undepreciated cost of those assets is deducted from the proceeds to report gain or loss on the sale.

Gross proceeds from the sale of fixed assets	(14,468)	
Loss on the disposal of fixed assets	<u>(415)</u>	(14,883)

Bond proceeds are reported as financing sources in governmental funds and, thus, contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Bond proceeds	(5,610,000)	
Principal paid	<u>5,664,893</u>	54,893

Governmental funds report the effect of issuance costs and discounts when debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities.

Bond issuance costs deferred on new bond issue	54,200	
Bond discounts deferred on new bond issue	72,642	
Deferred loss on early retirement of debt	454,162	
Bond issuance costs on defeased portion of debt	(26,863)	
Bond discount on defeased portion of debt	(55,379)	
Amortization of deferred bond issuance costs and discounts	<u>(12,912)</u>	485,850

Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.

These net differences are as follows:

Interest payable	40,608	
Accrued sick leave	<u>33,965</u>	<u>74,573</u>

Change in net assets of governmental activities	\$	<u><u>410,468</u></u>
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See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

	Food Service Fund
ASSETS:	
Current Assets	
Cash and cash equivalents	\$ 400,870
Accounts receivable	500
Inventory	<u>44,045</u>
Total current assets	<u>445,415</u>
Noncurrent Assets	
Capital assets	574,352
Less: accumulated depreciation	<u>(302,171)</u>
Total noncurrent assets	<u>272,181</u>
TOTAL ASSETS	<u><u>\$ 717,596</u></u>
LIABILITIES:	
Current Liabilities	
Accounts payable	\$ 364
Current portion of accrued sick leave	<u>1,140</u>
Total current liabilities	<u>1,504</u>
Noncurrent Liabilities	
Noncurrent portion of accrued sick leave	<u>9,226</u>
Total noncurrent liabilities	<u>9,226</u>
TOTAL LIABILITIES	<u><u>\$ 10,730</u></u>
Net Assets	
Invested in capital assets, net of related debt	\$ 272,181
Nonspendable - inventories	44,045
Restricted for food service	<u>390,640</u>
TOTAL NET ASSETS	<u><u>\$ 706,866</u></u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS

For the Year Ended June 30, 2012

	Food Service Fund
Operating Revenues:	
Lunchroom sales	\$ 94,733
Other operating revenues	9,070
Total operating revenues	<u>103,803</u>
Operating Expenses:	
Salaries and benefits	485,111
Contract services	28,406
Materials and supplies	494,413
Depreciation	41,129
Expendable equipment	10,939
Other operating expenses	67
Total operating expenses	<u>1,060,065</u>
Operating income (loss)	<u>(956,262)</u>
Non-Operating Revenues (Expenses):	
Federal grants	931,501
Donated commodities	49,954
State grants	80,844
Interest income	4,701
Loss on disposal of fixed assets	(16,282)
Total non-operating revenues	<u>1,050,718</u>
Change in net assets	94,456
Net Assets, July 1, 2011	<u>612,410</u>
Net Assets, June 30, 2012	<u><u>\$ 706,866</u></u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	Food Service Fund
Cash Flows from Operating Activities:	
Cash received from:	
Lunchroom sales	\$ 94,733
Other operating revenues	9,070
Cash paid to/for:	
Employees	(404,977)
Contract services	(28,072)
Materials and supplies	(453,961)
Expendable equipment	(10,939)
Other operating expenses	(67)
Net cash provided by (used in) operating activities	<u>(794,213)</u>
Cash Flows from Non-Capital Financing Activities:	
Operating grants received	942,577
Net cash provided by (used in) non-capital financing activities	<u>942,577</u>
Cash Flows from Capital and Related Financing Activities:	
Purchases of capital assets	(50,023)
Net cash provided by (used in) capital and related financing activities	<u>(50,023)</u>
Cash Flows from Investing Activities:	
Interest income received	4,701
Net cash provided by (used in) investing activities	<u>4,701</u>
Net increase (decrease) in cash and cash equivalents	103,042
Cash and cash equivalents, July 1, 2011	<u>297,828</u>
Cash and cash equivalents, June 30, 2012	<u><u>\$ 400,870</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (956,262)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	41,129
Commodities used	49,954
On-behalf payments	69,768
Changes in assets and liabilities:	
Inventory	(9,007)
Accounts receivable	(500)
Accounts payable	339
Accrued sick leave	10,366
Net cash provided by operating activities	<u><u>\$ (794,213)</u></u>
Non-Cash Investing, Capital, and Financing Activities:	
Food commodities received	\$ 49,954
On-behalf payments	69,768
Total Non-Cash Investing, Capital, and Financing Activities	<u><u>\$ 119,722</u></u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2012

	Private Purpose Trust Funds	Agency Fund
	<u> </u>	<u> </u>
ASSETS:		
Cash and cash equivalents	\$ 80,914	\$ 69,821
Accounts receivable	<u> 0</u>	<u> 406</u>
Total Assets	<u><u>\$ 80,914</u></u>	<u><u>\$ 70,227</u></u>
 LIABILITIES:		
Accounts payable	\$ 0	\$ 2,136
Due to student groups	<u> 0</u>	<u> 68,091</u>
Total Liabilities	<u><u>\$ 0</u></u>	<u><u>\$ 70,227</u></u>
 NET ASSETS HELD IN TRUST	<u><u>\$ 80,914</u></u>	<u><u>\$ 0</u></u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended June 30, 2012

	Private Purpose Trust Funds
	<u> </u>
Additions:	
Interest income	\$ 54
Contributions received	<u>25,973</u>
Total Additions	<u>26,027</u>
 Deductions:	
Benefits paid	<u>12,000</u>
Total Deductions	<u>12,000</u>
Change in net assets	14,027
Net assets, July 1, 2011	<u>66,887</u>
Net assets, June 30, 2012	<u><u>\$ 80,914</u></u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year ended June 30, 2012

NOTE A – REPORTING ENTITY

The Mayfield Independent Board of Education (“Board”), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Mayfield Independent School District (“District”). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards because board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and activities relevant to the operation of the Mayfield Independent School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations, and is not responsible for any debt of the organizations, nor has any influence over the operation of the organizations.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Mayfield Independent School District Finance Corporation – In 1991, the Mayfield Independent Board of Education resolved to authorize the establishment of the Mayfield Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the “Corporation”) as an agency for the District for financing the costs of school building facilities. The board members of the Mayfield Independent Board of Education also comprise the Corporation’s Board of Directors.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The most significant of the District’s accounting policies are described below.

Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities display information about the District as a whole. These statements include all financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation - continued

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District. The District does not allocate indirect expenses.

Fund Financial Statements – The financial transactions of the District are reported in individual funds in the fund financial statements, each of which is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, and fund balances, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of revenues, expenses, and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The fiduciary funds are reported using the economic resources measurement focus.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Accounting

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is always classified as a major fund of the District per GASB 34.
- (B) The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources, such as grants, donations, or gifts (other than expendable trusts or major capital projects) that are legally restricted or committed to expenditure for specified purposes other than debt service or capital projects. It includes state, federal and private grants where unused balances are returned to the grantor at the close of the specified project periods. Project accounting codes are employed to distinguish specific revenue sources and expenditures. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on page 45. This is a major fund of the District.
- (C) Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets (other than those financed by Proprietary Funds). Common sources of revenue to these funds are the capital outlay allotment, building tax levies, technology allotment and sale of bonds.
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is restricted for use in financing projects identified in the District's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- (D) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Fund)

The Food Service Fund (Enterprise) is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). An amount of \$49,954 has been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund of the District.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Accounting – continued

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- (A) Agency funds account for assets held by the District in a purely custodial capacity. Since Agency Funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These activity funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- (B) The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, such as scholarships.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means resources are expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property Taxes

Property taxes are levied each October on the assessed value listed as of the prior January 1, for all real and personal property within the School District. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending thirty days after the tax bill mailing. Property taxes collected are recorded as revenues in the fund for which they were levied.

The property tax rates assessed for the year ended June 30, 2012, to finance operations were \$.683 per \$100 valuation for real property, \$.683 per \$100 valuation for business personal property and \$.689 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the District, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for revenues and expenses on the same basis as the actual financial statements, which is Generally Accepted Accounting Principles (GAAP).

Once the budget is approved, it can be amended. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of ninety days or less, to be cash equivalents.

Inventories

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the proprietary (food service) fund. Inventory consists of purchased food and donated commodities and is expensed when used. The purchased food is stated at cost and donated commodity inventory is stated at estimated value on date of receipt, with both types using the first-in, first-out method.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2012 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. Prepaid items at June 30, 2012 consisted of fleet, property, umbrella, and superintendent's life insurance and fidelity and blanket bonds paid during the fiscal year ended June 30, 2012 that included coverage for periods beyond June 30, 2012.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Debt Costs

Unamortized debt issuance costs in the amount of \$78,189 and unamortized discounts of \$93,927 are included in the government-wide statements. Both debt issuance costs and discounts are amortized over the lives of the related debt issues using the straight-line method.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. At its July 18, 2012 meeting the Board approved a change to its Equipment and Assets policy in order to follow guidelines developed by the Kentucky Department of Education in its latest update on January 25, 2012. Prior to the adoption of the new guidelines, the District maintained a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there was no threshold. The new guidelines establish a capitalization threshold of \$5,000 for real or personal property. The District chose to retain the exception relating to computer workstations, which are still capitalized regardless of value. Larger thresholds apply to buildings and building improvements (\$15,000) and leasehold improvements (\$50,000). The District does not possess any infrastructure. Improvements to land and to buildings in excess of the above limits are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both governmental and business-type capital assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accumulated Unpaid Sick Leave Benefits

For those employees who qualify, the District has adopted the policy of providing at retirement a percentage of their accumulated unused sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments and the age and current pay rates of eligible employees.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts, when applicable, are recorded in the account "current portion of accrued sick leave" in the general fund. The noncurrent portion of the liability is not reported.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as liabilities in the fund financial statements until due.

Fund Balance Classifications

Nonspendable fund balances are amounts that are not in a spendable form (such as prepaid expenses or inventories) or are required to be maintained intact.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District, is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Balance Classifications (Continued)

Assigned fund balances are those amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows the program supervisors to complete purchase orders which result in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts, except negative balances, that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The District considers restricted amounts to have been spent first when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available. The District does not have a policy regarding the use of unrestricted fund balance amounts. Therefore, the default order is used which considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

Use of Restricted Resources

When an expense is incurred for which there are both restricted and unrestricted net assets available, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Interfund transfers between funds of the same type are eliminated in the government-wide statements. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Subsequent Events

In preparing these financial statements, management has evaluated other events and transactions for potential recognition or disclosure through October 25, 2012, the date the financial statements were available to be issued.

NOTE C – ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE D – CASH AND CASH EQUIVALENTS

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to KRS 160.570 and 702 KAR 3:090. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Kentucky Revised Statutes authorize the Board to invest in direct obligations of the United States government, obligations backed by the full faith and credit of the United States government, certificates of deposit or other interest bearing accounts issued by any bank or saving and loan institution provided that such investment is insured by the FDIC or guaranteed by the pledge of direct United States Government obligations, bonds issued by the Commonwealth of Kentucky or one of its agencies and instrumentalities, securities issued by any state or local government of the United States rated in one of the three highest categories by a nationally recognized rating agency, certain mutual funds, commercial paper rated in the highest category by a nationally recognized rating agency, or bankers' acceptance for banks rated in one of the three highest categories by a nationally recognized rating agency. The District has no investment policy that would further limit its investment choices.

At year-end, the carrying amount of the District's total cash and cash equivalents was \$3,195,178. The bank balance was \$4,037,368. Of the bank balance, \$254,707 was covered by Federal Depository insurance and the remaining balance was subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The remaining balance of \$3,782,661 was uninsured and collateralized with securities held by the pledging bank's agent, in the District's name.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2012

Note E - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

Governmental Activities	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012
Capital Assets:				
Land and improvements	\$ 1,603,259	\$ 0	\$ 0	\$ 1,603,259
Buildings and improvements	19,121,773	30,072	0	19,151,845
Technology equipment	1,737,389	131,440	139,438	1,729,391
Vehicles	1,273,283	22,326	135,464	1,160,145
General Equipment	542,744	73,441	17,478	598,707
Construction	0	87,414	0	87,414
Totals at historical cost	<u>24,278,448</u>	<u>344,693</u>	<u>292,380</u>	<u>24,330,761</u>
Less: Accumulated depreciation				
Land and improvements	575,657	7,776	0	583,433
Buildings and improvements	6,844,200	402,980	0	7,247,180
Technology equipment	1,207,205	199,307	131,750	1,274,762
Vehicles	897,541	74,288	133,873	837,956
General equipment	379,608	32,338	11,874	400,072
Total accumulated depreciation	<u>9,904,211</u>	<u>716,689</u>	<u>277,497</u>	<u>10,343,403</u>
Governmental Activities Capital Assets - Net	<u>\$ 14,374,237</u>	<u>\$ (371,996)</u>	<u>\$ 14,883</u>	<u>\$ 13,987,358</u>
Business-Type Activities				
Capital Assets:				
Technology equipment	\$ 28,361	\$ 1,825	\$ 0	\$ 30,186
General Equipment	574,631	48,198	78,663	544,166
Totals at historical cost	<u>602,992</u>	<u>50,023</u>	<u>78,663</u>	<u>574,352</u>
Less: Accumulated depreciation				
Technology equipment	12,577	4,122	0	16,699
General Equipment	310,846	37,007	62,381	285,472
Total accumulated depreciation	<u>323,423</u>	<u>41,129</u>	<u>62,381</u>	<u>302,171</u>
Business-Type Activities Capital Assets - Net	<u>\$ 279,569</u>	<u>\$ 8,894</u>	<u>\$ 16,282</u>	<u>\$ 272,181</u>

Depreciation expense was charged to governmental functions as follows:

Instructional	\$ 536,027
Student support services	9,709
Instructional staff support services	16,250
District administration	18,670
School administration	5,630
Business	11,373
Plant operation and maintenance	58,517
Student transportation	59,053
Community services	1,460
Total depreciation expense	<u>\$ 716,689</u>

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE F – BONDED DEBT AND CAPITAL LEASE OBLIGATIONS

The amount shown in the accompanying government-wide financial statements as bond obligations represent the District's future obligations to make lease payments related to school building revenue bonds issued by the Mayfield Independent School District Finance Corporation on behalf of the District for purposes of school facility construction. These amounts are not reflected on the fund financial statements.

The District, through the General Fund, SEEK Capital Outlay Fund and the Facility Support Program Levy Fund is obligated to make lease payments. The lease agreements provide, among other things, for rentals sufficient to satisfy debt service requirements on bonds issued by the Mayfield Independent School District Finance Corporation to construct school facilities. The District has the option to purchase the property under lease at any time by retiring the bonds then outstanding. Upon completion of such payments, the leased premises should become the property of the District. The District is obligated to maintain adequate property insurance on the school facilities, and the school facilities have been pledged as security for the holders of the bonds.

The KISTA school bus acquisition bonds provide for the title of the equipment (buses) to vest in the District subject to a first lien, and if nonrenewal or default occurs, the title will revert to KISTA. The District leases and rents the equipment from KISTA on an annual basis and has an exclusive option to renew this lease from year to year for the period of time of the pooled bond issue (approximately 10 years). The semi-annual bond interest and principal payments constitute the lease payments. The District is also obligated to keep the equipment in good repair and provide insurance coverage.

The original amount of each issue, the issue date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
April 1, 2001	\$ 375,000	3.850% - 4.400%
January 1, 2004 KISTA	117,008	1.000% - 3.500%
March 1, 2004	8,975,000	2.000% - 4.200%
January 1, 2005 KISTA	128,637	3.000% - 3.625%
January 1, 2006 KISTA	64,903	3.300% - 4.000%
September 1, 2006 KISTA	68,400	3.500% - 3.875%
February 1, 2008 refunding	715,000	2.350% - 3.125%
January 1, 2009 KISTA	73,939	2.000% - 3.900%
December 1, 2009 KISTA	79,141	2.000% - 3.600%
March 20, 2012, refunding	5,610,000	0.600% - 2.300%

In 1997 the District entered into a "participation agreement" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school boards in meeting school construction needs. The table on the following page sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE F – BONDED DEBT AND CAPITAL LEASE OBLIGATIONS (CONTINUED)

On March 20, 2012, the Board issued \$5,610,000 of School Building Revenue Refunding Bonds to currently refund all outstanding 2001 School Building Revenue Bonds and to advance refund on March 1, 2014 the outstanding 2004 School Building Revenue Bonds that are scheduled to mature on or after March 1, 2017. The liabilities for the defeased bonds are not included in the District's financial statements. On June 30, 2012, \$4,980,000 of bonds outstanding is considered defeased. The advance refunding reduced total debt service payments over the next twelve years by \$382,642, with a net present value savings of 5.914% on the 2001 issue and 7.43% on the 2004 issue. This results in an economic gain (the difference between the present value of the old and the new debt service payments) of \$380,019. In the Statement of Net Assets, the net costs associated with the early retirement of the issues are deferred and will be amortized over the lesser of the original life of the old bonds or the life of the new bonds. The amount deferred is reported as a decrease to the book value of the new debt issued to finance the refunding. Total deferred costs were \$454,162. Amortization will be included as a component of interest expense and will begin during fiscal year ending June 30, 2013 and will be over four years and twelve years for the 2001 and 2004 bond portions respectively.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2012 for debt service (principal and interest) are as follows:

Year	Mayfield Independent School District		Kentucky School Facility Construction Commission		Total
	Principal	Interest	Principal	Interest	
2012-2013	\$ 628,109	\$ 166,843	\$ 19,702	\$ 4,801	\$ 819,455
2013-2014	631,958	155,597	20,104	4,399	812,058
2014-2015	640,549	137,724	20,679	3,824	802,776
2015-2016	647,247	118,841	21,297	3,206	790,591
2016-2017	631,004	99,104	21,959	2,544	754,611
2017-2018	635,091	89,744	15,108	2,161	742,104
2018-2019	639,067	81,161	15,304	1,964	737,496
2019-2020	647,036	70,643	15,549	1,720	734,948
2020-2021	644,139	57,581	15,861	1,409	718,990
2021-2022	663,822	44,699	16,178	1,091	725,790
2022-2023	673,482	30,758	16,518	752	721,510
2023-2024	693,120	15,942	16,880	388	726,330
	<u>\$ 7,774,624</u>	<u>\$ 1,068,637</u>	<u>\$ 215,139</u>	<u>\$ 28,259</u>	<u>\$ 9,086,659</u>

Interest incurred and charged to expense for fiscal year ended June 30, 2012 was \$256,003.

A summary of changes in long-term debt is as follows:

Type	Balance June 30, 2011	Issued	Retired	Balance June 30, 2012
Bonds payable	\$ 7,755,000	\$ 5,610,000	\$ 5,610,000	\$ 7,755,000
Capital lease - KISTA	289,656	0	54,893	234,763
Non-current portion of sick leave	314,519	16,593	50,558	280,554
Totals	<u>\$ 8,359,175</u>	<u>\$ 5,626,593</u>	<u>\$ 5,715,451</u>	<u>\$ 8,270,317</u>

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE G – RETIREMENT PLANS

Plan Descriptions

The Mayfield Independent School District contributes to the Teachers' Retirement System of Kentucky (KTRS) and the County Employee's Retirement System (CERS), both cost-sharing, multiple employer defined benefit pension plans. Certified employees are covered under KTRS and substantially all other employees (classified employees) are covered under CERS. Both plans administer retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by Kentucky Department of Education (KDE). Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS.

The Kentucky Revised Statutes provided for the establishment of both systems and benefit amendments are authorized by the State legislature. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Each plan issues a publicly available financial report that includes financial statements and required supplementary information for that plan. The KTRS report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS website at <http://www.ktrs.ky.gov/>. The CERS report can be obtained by writing to Kentucky Employee's Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601.

Funding Policy

Contribution rates are established by KRS. Plan members of KTRS who established an account in a state retirement system before July 2008 are required to contribute 10.355% of their salaries to KTRS. Members after July 1, 2008 contribute an additional .5%. The Commonwealth of Kentucky is required to contribute 13.605% of salaries for members in a state retirement system before July 1, 2008 and 14.105% of salaries for members who started their account after July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions. Plan members of CERS are required to contribute 5% of their annual covered salary, and the Mayfield Independent School District provides a contribution of 18.96% of that salary. For employees hired on September 1, 2008, or thereafter, an additional 1% must be contributed to a health insurance account.

Medical Insurance Plan

Plan description – In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires KTRS to provide access to post-retirement healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding policy – In order to fund the post-employment healthcare benefit, active member contributions are matched by the state at .75% of members' gross salaries. Those who became members before July 1, 2008 contribute 1.25% of salary to the plan. Member contributions are 1.75% of salary for those who became members after July 1, 2008. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay .5% of members' salary for the 2011-2012 fiscal year.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE G – RETIREMENT PLANS – CONTINUED

The Mayfield Independent School District's total payroll for the year was \$9,076,785. The payroll for employees covered under KTRS was \$6,695,350 and for CERS was \$2,307,361. For the year ended June 30, 2012, the Commonwealth contributed \$792,337 to KTRS for the benefit of participating employees. The District's contributions to KTRS for the year ended June 30, 2012 was \$96,558, which represents those employees covered by federal programs. The contribution requirement and the amount contributed to CERS for the year ended June 30, 2012 was \$556,136 which consisted of \$437,453 from the Board and \$118,683 from the employees. The contributions required and paid to CERS for the years ended June 30, 2011 and 2010 were \$508,162 and \$478,761, respectively.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans.

NOTE H – BENEFITS FUNDED BY KENTUCKY STATE DEPARTMENT OF EDUCATION

The Kentucky Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2012:

Contributions to Kentucky Teachers' Retirement System	\$ 792,337
Technology	60,610
Health insurance, life insurance, flexible spending accounts (includes administrative fee)	<u>1,710,401</u>
Total	<u><u>\$ 2,563,348</u></u>

These payments are recorded in the General and Food Service Funds as revenues and expenditures. The District is not legally responsible for these contributions. These payments are not required to be budgeted by the District.

On-behalf contributions were charged to governmental functions as follows:

Instruction	\$ 1,680,500
Support services:	
Student	87,052
Instructional staff	114,571
District administration	67,412
School administration	205,941
Business	89,455
Plant operations and maintenance	135,415
Student transportation	113,234
Food services	<u>69,768</u>
Total	<u><u>\$ 2,563,348</u></u>

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE I – COMMITMENTS AND CONTINGENCIES

Grant Contingencies

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE J – INSURANCE AND RELATED ACTIVITIES

The Mayfield Independent School District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively rated which include workers' compensation insurance.

NOTE K – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. This public entity risk pool operates as a common risk management and insurance program for all school boards and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to the fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE L - COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE M – COMMITMENTS FOR SCHOOL CONSTRUCTION

The District approved an agreement to re-roof the middle school. The amount of the contract was \$74,799. As of the balance sheet date, \$70,634 had been completed and is included in the statement of net assets as construction in progress.

The District also approved agreements to re-roof the high school. The amount of the contract to the roofer was \$42,384 and to the architect was \$5,958. As of the balance sheet date, \$5,073 had been paid to the architect and is included in the statement of net assets as construction in progress.

NOTE N – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District has no funds with a deficit fund balance. The General Fund had \$826,529 less in expenditures than appropriations when excluding on-behalf payments of \$2,493,580 which are not required to be budgeted.

NOTE O - TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Matching	General	Special Revenue	Technology Match	\$ 26,534
Operating	General	Debt Service	Debt Service	34,070
Operating	Capital Outlay	General	Capital spending	134,995
Operating	FSPK	Debt Service	Debt Service	730,377
Operating	FSPK	General	Capital spending	229,665
Operating	Debt Service	General	Closing old account	717
Operating	General	Construction	Construction	78,370
Operating	Construction	Construction	Transfer between projects	8,819

NOTE P – INTERFUND RECEIVABLES AND PAYABLES

There were no interfund balances at June 30, 2012.

NOTE Q – SUBSEQUENT EVENTS

At their July, 2012 meeting, the Board approved BG-1 forms for track resurfacing and striping for \$54,750 and for softball lights at the high school for \$107,200.

At their October 23, 2012 special called meeting, the Board awarded bids for track resurfacing and striping to Murray Paving for \$41,900 and for softball lights at the high school to Jay's Electric for \$95,900. Based on these bids, the Board then revised the BG-1 forms to change the amount for track resurfacing and striping to be \$51,000 and for the softball lights at the high school to be \$114,240.

REQUIRED SUPPLEMENTARY INFORMATION

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES:				
From Local Sources:				
Taxes:				
Property	\$ 1,475,000	\$ 1,475,000	\$ 1,939,863	\$ 464,863
Motor Vehicle	220,000	220,000	265,862	45,862
Utilities	600,000	600,000	682,869	82,869
In Lieu of	50,000	50,000	84,680	34,680
Earnings on Investments	25,000	25,000	38,463	13,463
Other local revenues	0	0	192,998	192,998
Intergovernmental - State	6,067,970	6,067,970	9,220,307	3,152,337
Intergovernmental - Indirect Federal	20,000	20,000	74,352	54,352
TOTAL REVENUES	8,457,970	8,457,970	12,499,394	4,041,424
EXPENDITURES:				
Current:				
Instruction	5,459,789	5,459,789	7,420,565	(1,960,776)
Support Services:				
Student	272,057	272,057	383,355	(111,298)
Instructional Staff	527,393	527,393	698,500	(171,107)
District Administration	764,288	764,288	795,752	(31,464)
School Administration	622,259	622,259	870,758	(248,499)
Business	138,626	138,626	204,026	(65,400)
Plant operations and maintenance	1,639,648	1,639,648	1,480,186	159,462
Student transportation	660,116	660,116	685,442	(25,326)
Debt service	36,820	36,820	13,039	23,781
Contingency	867,550	867,550	0	867,550
TOTAL EXPENDITURES	10,988,546	10,988,546	12,551,623	(1,563,077)
Excess (deficit) of revenues over expenditures	(2,530,576)	(2,530,576)	(52,229)	2,478,347
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of fixed assets	0	0	14,468	14,468
Operating transfers in	215,576	215,576	365,377	149,801
Operating transfers out	(35,000)	(35,000)	(138,974)	(103,974)
TOTAL OTHER FINANCING SOURCES (USES)	180,576	180,576	240,871	60,295
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(2,350,000)	(2,350,000)	188,642	2,538,642
Fund Balance, July 1, 2011	2,350,000	2,350,000	2,422,203	72,203
Fund Balance, June 30, 2012	\$ 0	\$ 0	\$ 2,610,845	\$ 2,610,845

See independent auditor's report and accompanying notes to financial statements

NOTE: The on-behalf payments of \$2,493,580 from the state are included in both revenues and expenditures in the actual column; however, this amount was not required to be included in the budget.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
For the Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES:				
From Local Sources:				
Other local revenues	\$ 60,449	\$ 60,449	\$ 105,782	\$ 45,333
Intergovernmental - State	548,247	545,445	417,971	(127,474)
Intergovernmental - Indirect federal	1,582,674	1,607,051	1,671,314	64,263
TOTAL REVENUES	<u>2,191,370</u>	<u>2,212,945</u>	<u>2,195,067</u>	<u>(17,878)</u>
EXPENDITURES:				
Current:				
Instruction	1,786,818	1,814,012	1,762,835	51,177
Support Services:				
Instructional Staff	151,037	148,220	136,884	11,336
Plant operations and maintenance	126,407	126,407	126,407	0
Community service activities	162,108	159,306	195,475	(36,169)
TOTAL EXPENDITURES	<u>2,226,370</u>	<u>2,247,945</u>	<u>2,221,601</u>	<u>26,344</u>
Excess (deficit) of revenues over expenditures	<u>(35,000)</u>	<u>(35,000)</u>	<u>(26,534)</u>	<u>8,466</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	35,000	35,000	26,534	(8,466)
TOTAL OTHER FINANCING SOURCES (USES)	<u>35,000</u>	<u>35,000</u>	<u>26,534</u>	<u>(8,466)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	0	0	0	0
Fund Balance, July 1, 2011	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30, 2012	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

See independent auditor's report and accompanying notes to financial statements

OTHER SUPPLEMENTARY INFORMATION

MAYFIELD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

	FSPK Fund	SEEK Capital Outlay Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS AND RESOURCES:					
Cash and cash equivalents	\$ 0	\$ 0	\$ 0	\$ 4,707	\$ 4,707
TOTAL ASSETS AND RESOURCES	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,707</u>	<u>\$ 4,707</u>
LIABILITIES AND FUND BALANCE:					
LIABILITIES:					
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL LIABILITIES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
EQUITY AND FUND BALANCES:					
Restricted:					
Construction	0	0	0	0	0
Debt service	0	0	0	4,707	4,707
TOTAL FUND BALANCES	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,707</u>	<u>4,707</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,707</u>	<u>\$ 4,707</u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	FSPK Fund	SEEK Capital Outlay Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:					
From Local Sources:					
Taxes:					
Property	\$ 325,856	\$ 0	\$ 0	\$ 0	\$ 325,856
Intergovernmental - State	634,186	135,196	0	24,504	793,886
TOTAL REVENUES	<u>960,042</u>	<u>135,196</u>	<u>0</u>	<u>24,504</u>	<u>1,119,742</u>
EXPENDITURES:					
Plant operation and maintenance	0	201	0	0	201
Facilities acquisition and construction	0	0	87,415	0	87,415
Debt service	0	0	0	917,037	917,037
TOTAL EXPENDITURES	<u>0</u>	<u>201</u>	<u>87,415</u>	<u>917,037</u>	<u>1,004,653</u>
Excess (deficit) of revenues over expenditures	<u>960,042</u>	<u>134,995</u>	<u>(87,415)</u>	<u>(892,533)</u>	<u>115,089</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	0	0	87,189	764,447	851,636
Proceeds from new bond issue	0	0	0	5,610,000	5,610,000
Payment to refunded bond escrow agent	0	0	0	(5,351,296)	(5,351,296)
Payment of bond issue costs	0	0	0	(54,200)	(54,200)
Discounts on bonds sold	0	0	0	(72,642)	(72,642)
Call premium on refunded bonds	0	0	0	(625)	(625)
Operating transfers out	(960,042)	(134,995)	(8,819)	(717)	(1,104,573)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(960,042)</u>	<u>(134,995)</u>	<u>78,370</u>	<u>894,967</u>	<u>(121,700)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	0	0	(9,045)	2,434	(6,611)
Fund Balance, July 1, 2011	0	0	9,045	2,273	11,318
Fund Balance, June 30, 2012	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,707</u>	<u>\$ 4,707</u>

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See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS

For the Year Ended June 30, 2012

	2001 BONDS FUND	2004 BONDS FUND	2008 BONDS FUND	2012 BONDS FUND	Totals Debt service Fund
REVENUES:					
Earnings on investments	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental - State	0	17,269	7,235	0	24,504
TOTAL REVENUES	0	17,269	7,235	0	24,504
EXPENDITURES:					
Debt Service:					
Principal	30,000	390,000	85,000	125,000	630,000
Interest	4,070	263,751	16,130	3,086	287,037
TOTAL EXPENDITURES	34,070	653,751	101,130	128,086	917,037
Excess (deficit) of revenues over expenditures	(34,070)	(636,482)	(93,895)	(128,086)	(892,533)
OTHER FINANCING SOURCES (USES):					
Operating transfers in	34,070	636,482	93,895	0	764,447
Proceeds of revenue refunding bonds	0	0	0	5,610,000	5,610,000
Payment to refunded bond escrow agent				(5,351,296)	(5,351,296)
Payment of bond issue costs				(54,200)	(54,200)
Discounts on bonds sold				(72,642)	(72,642)
Call premium on refunded bonds				(625)	(625)
Operating transfers out	(717)	0	0	0	(717)
TOTAL OTHER FINANCING SOURCES (USES)	33,353	636,482	93,895	131,237	894,967
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(717)	0	0	3,151	2,434
Fund balance July 1, 2011	717	1,518	38	0	2,273
Fund balance June 30, 2012	\$ 0	\$ 1,518	\$ 38	\$ 3,151	\$ 4,707

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET--ALL ACTIVITY FUNDS
June 30, 2012

	Mayfield Elementary School	Mayfield Middle School	Mayfield High School	Totals (Memorandum Only)
ASSETS:				
Cash and cash equivalents	\$ 12,299	\$ 29,785	\$ 27,737	\$ 69,821
Accounts Receivable	0	0	406	406
TOTAL ASSETS	<u><u>\$ 12,299</u></u>	<u><u>\$ 29,785</u></u>	<u><u>\$ 28,143</u></u>	<u><u>\$ 70,227</u></u>
LIABILITIES:				
Accounts Payable	\$ 0	\$ 474	\$ 1,662	\$ 2,136
Due to Student Groups	12,299	29,311	26,481	68,091
TOTAL LIABILITIES	<u><u>\$ 12,299</u></u>	<u><u>\$ 29,785</u></u>	<u><u>\$ 28,143</u></u>	<u><u>\$ 70,227</u></u>
NET ASSETS HELD IN TRUST	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN DUE TO STUDENT GROUPS
ALL ACTIVITY FUNDS**

For the Year Ended June 30, 2012

	Mayfield Elementary School	Mayfield Middle School	Mayfield High School	Totals (Memorandum only)
REVENUES:				
From local sources:				
Earnings on Investments	\$ 62	\$ 102	\$ 124	\$ 288
Student activities	46,625	103,561	317,039	467,225
Total Revenues	46,687	103,663	317,163	467,513
EXPENDITURES				
Student Activities	52,876	95,541	309,433	457,850
Total expenditures	52,876	95,541	309,433	457,850
Excess (deficit) of revenues over expenditures	(6,189)	8,122	7,730	9,663
Due to student groups, July 1, 2011	18,488	21,189	18,751	58,428
Due to student groups, June 30, 2012	\$ 12,299	\$ 29,311	\$ 26,481	\$ 68,091

See independent auditor's report and accompanying notes to financial statements

MAYFIELD HIGH SCHOOL - ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS & DUE TO
For the Year Ended June 30, 2012

	Cash Balance	Receipts		Disbursements	
	July 1, 2011	Actual	Budget	Actual	Budget
General Fund	\$ 3,226.86	\$ 39,449.15	\$ 4,230.00	\$ 35,943.36	\$ 12,032.41
Cardinals Closet	0.00	69.00	0.00	48.00	0.00
Student Council	354.76	671.80	363.00	274.76	489.00
Physics Class	126.82	0.00	0.00	12.00	158.00
FEA	18.50	77.00	150.00	43.16	150.00
Drama	41.42	756.48	1,360.00	797.90	1,395.00
Teacher Fund	1,735.00	1,001.02	790.00	609.94	2,290.00
Cultural Diversity	593.91	4,381.19	1,725.00	4,510.41	4,825.00
Beta Club	49.08	1,127.35	1,875.00	1,115.00	2,025.00
Foreign Language	397.74	0.00	300.00	82.21	697.00
Key Club	153.25	695.00	300.00	680.81	436.00
Science Club	1,466.23	16,137.17	18,450.00	15,601.59	19,904.00
FCA	51.39	0.00	90.00	0.00	141.00
FCCLA	194.00	58.00	84.00	250.00	278.00
FMD	124.16	0.00	0.00	44.36	124.00
Band	348.89	7,002.54	8,000.00	5,387.58	9,100.00
Sunshine Fund	191.85	805.00	700.00	781.86	996.00
Athletics	3,168.41	226,504.78	203,000.00	228,389.73	204,000.00
Class of 2011	7.85	0.00	0.00	7.85	1,205.00
Class of 2012	2,633.10	542.63	0.00	3,045.00	2,633.10
Class of 2013	0.00	7,067.07	0.00	6,784.78	0.00
Guidance	1,371.23	6,991.50	3,510.00	6,599.00	5,110.00
WMCTV	703.61	475.00	0.00	683.08	552.01
Special Olympics	587.78	348.71	500.00	258.00	1,297.00
Library Activities	241.74	404.45	80.00	486.00	238.00
Arts and Humanities	391.00	0.00	200.00	0.00	591.00
AP History	41.48	3,909.71	3,430.00	3,951.19	3,445.00
Shakespeare & Peers	330.63	142.00	130.00	0.00	422.61
Rotary Interact	232.01	185.00	330.00	228.35	568.00
Speech	704.61	0.00	4,650.00	704.61	6,344.00
Beatnik Café	384.90	34.00	100.00	0.00	441.00
Publications	487.30	13,870.50	13,000.00	8,244.29	13,474.00
Sportsman Club	185.80	1,861.51	1,760.00	1,810.96	1,850.00
Subtotal	20,545.31	334,567.56	269,107.00	327,375.78	297,211.13
Less: Interfund Transfers	0.00	15,464.38	0.00	15,464.38	0.00
Total	\$ 20,545.31	\$ 319,103.18	\$ 269,107.00	\$ 311,911.40	\$ 297,211.13

See independent auditor's report and accompanying notes to financial statements

	Cash Balance June 30, 2012	Accounts Receivable	Accounts Payable	Due to June 30, 2012
General Fund	\$ 6,732.65	\$ 0.00	\$ 1,511.56	\$ 5,221.09
Attendance	21.00	0.00	0.00	21.00
Student Council	751.80	0.00	0.00	751.80
Physics Class	114.82	0.00	0.00	114.82
FEA	52.34	0.00	0.00	52.34
Drama	0.00	0.00	0.00	0.00
Teacher Fund	2,126.08	0.00	0.00	2,126.08
Cultural Diversity	464.69	2.00	0.00	466.69
Beta Club	61.43	0.00	0.00	61.43
Foreign Language	315.53	0.00	0.00	315.53
Key Club	167.44	264.44	0.00	431.88
Science Club	2,001.81	0.00	0.00	2,001.81
FCA	51.39	0.00	0.00	51.39
FCCLA	2.00	0.00	0.00	2.00
FMD	79.80	0.00	0.00	79.80
Band	1,963.85	0.00	0.00	1,963.85
Sunshine Fund	214.99	0.00	0.00	214.99
Athletics	1,283.46	0.00	150.00	1,133.46
Class of 2009	0.00	0.00	0.00	0.00
Class of 2012	130.73	0.00	0.00	130.73
Class of 2013	282.29	0.00	0.00	282.29
Guidance	1,763.73	0.00	0.00	1,763.73
WMCTV	495.53	140.00	0.00	635.53
Special Olympics	678.49	0.00	0.00	678.49
Library Activities	160.19	0.00	0.00	160.19
Arts and Humanities	391.00	0.00	0.00	391.00
AP History	0.00	0.00	0.00	0.00
Shakespeare & Peers	472.63	0.00	0.00	472.63
Rotary Interact	188.66	0.00	0.00	188.66
Speech	0.00	0.00	0.00	0.00
Beatnik Café	418.90	0.00	0.00	418.90
Publications	6,113.51	0.00	0.00	6,113.51
Sportsman Club	236.35	0.00	0.00	236.35
Subtotal	27,737.09	406.44	1,661.56	26,481.97
Less:Interfund Transfers	0.00	0.00	0.00	0.00
Total	\$ 27,737.09	\$ 406.44	\$ 1,661.56	\$ 26,481.97

MAYFIELD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET--ALL PRIVATE PURPOSE TRUST FUNDS
June 30, 2012

	Don McNeilly	Scott Nall Golf	MHS Booster Club	Grant Sloan Memorial	Mary Colby	Randle & Versa Watts
ASSETS:						
Cash and cash equivalents	\$ 17,641	\$ 3,651	\$ 449	\$ 9,362	\$ 500	\$ 40,563
TOTAL ASSETS	<u>\$ 17,641</u>	<u>\$ 3,651</u>	<u>\$ 449</u>	<u>\$ 9,362</u>	<u>\$ 500</u>	<u>\$ 40,563</u>
NET ASSETS HELD IN TRUST	<u>\$ 17,641</u>	<u>\$ 3,651</u>	<u>\$ 449</u>	<u>\$ 9,362</u>	<u>\$ 500</u>	<u>\$ 40,563</u>

See independent auditor's report and accompanying notes to financial statements

Trevor Williams/ McKenzie Stanley	Board Leadership Male	Board Leadership Female	James Steel Robbins Memorial	Roy & Maxine Heath	McKenzie Staley Memorial	Nathan Sholar	Shelton Family	Totals (Memorandum Only)
\$ 202	\$ 10	\$ 10	\$ 1,025	\$ 501	\$ 1,000	\$ 1,000	\$ 5,000	\$ 80,914
<u>\$ 202</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 1,025</u>	<u>\$ 501</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 5,000</u>	<u>\$ 80,914</u>
<u>\$ 202</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 1,025</u>	<u>\$ 501</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 5,000</u>	<u>\$ 80,914</u>

MAYFIELD INDEPENDENT SCHOOL DISTRICT
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN NET ASSETS HELD IN TRUST**
ALL PRIVATE PURPOSE TRUST FUNDS
For the Year Ended June 30, 2012

	Don McNeilly	Scott Nall Golf	MHS Booster Club	Grant Sloan Memorial	Mary Colby	Randle & Versa Watts
REVENUES:						
From local sources:						
Donations	\$ 0	\$ 0	\$ 2,000	\$ 3,137	\$ 500	\$ 8,336
Earnings on Investments	14	3	0	7	(1)	30
Total Revenues	14	3	2,000	3,144	499	8,366
EXPENDITURES						
Benefits paid	500	500	2,000	1,500	0	3,000
Total expenditures	500	500	2,000	1,500	0	3,000
Excess (deficit) of revenues over expenditures	(486)	(497)	0	1,644	499	5,366
Net Assets Held in Trust, July 1, 2011	18,127	4,148	449	7,718	1	35,197
Net Assets Held in Trust, June 30, 2012	<u>\$ 17,641</u>	<u>\$ 3,651</u>	<u>\$ 449</u>	<u>\$ 9,362</u>	<u>\$ 500</u>	<u>\$ 40,563</u>

See independent auditor's report and accompanying notes to financial statements

Trevor Williams/ McKenzie Stanley	Board Leadership Male	Board Leadership Female	James Steel Robbins Memorial	Roy & Maxine Heath	McKenzie Stanley Memorial	Nathan Sholar	Shelton Family	Totals (Memorandum Only)
\$ 0	\$ 1,500	\$ 1,500	\$ 2,000	\$ 0	\$ 1,000	\$ 1,000	\$ 5,000	\$ 25,973
0	0	0	0	1	0	0	0	54
0	1,500	1,500	2,000	1	1,000	1,000	5,000	26,027
0	1,500	1,500	1,000	0	500	0	0	12,000
0	1,500	1,500	1,000	0	500	0	0	12,000
0	0	0	1,000	1	500	1,000	5,000	14,027
202	10	10	25	500	500	0	0	66,887
\$ 202	\$ 10	\$ 10	\$ 1,025	\$ 501	\$ 1,000	\$ 1,000	\$ 5,000	\$ 80,914

REPORTS REQUIRED BY THE SINGLE AUDIT ACT

MAYFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2012

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Education:</u>			
Passed Through Kentucky Department of Education:			
Special Education Grants to States	84.027	3810002-10 & 11	\$ 311,901
Special Education Preschool Grants	84.173	3800002-10 & 11	29,985
ARRA-Special Education Preschool Grants	84.392	4800002-09	12,345
ARRA-Special Education Grants to States	84.391	4810002-09	200
Total Special Education Cluster			354,431
Title I Grants to Local Educational Agencies	84.010	3100002-10 & 11	828,891
ARRA-Title I Grants to Local Educational Agencies	84.389	4100002-09	2,948
Total Title I, Part A Cluster			831,839
English Language Acquisition Grants	84.365	3300002-10 & 11, 3300001-10	50,455
Improving Teacher Quality State Grants	84.367	3230002-10 & 11	98,551
Rural Education	84.358	3140002-10 & 11	40,991
Migrant Education State Grant Program	84.011	3110002-10 & 11	71,772
Education Jobs Fund	84.410	EJOB00	77,829
Career and Technical Education Basic Grants to States	84.048	4621132-10, 4621232-11	19,235
TOTAL U.S. DEPARTMENT OF EDUCATION			1,545,103
<u>U.S. Department of Health & Human Services:</u>			
Passed Through Kentucky Department of Education:			
Passed through Murray Board of Education:			
Head Start	93.600	6551 & 6552	126,407
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			126,407
<u>U.S. Department of Agriculture:</u>			
Passed Through Kentucky Department of Education:			
National School Lunch Program - cash	10.555	7750002-11 & 12	664,504
National School Lunch Program - donated foods (Note B)	10.555	7750002-11 & 12	49,954
School Breakfast Program	10.553	7760005-11 & 12	266,997
Total Child Nutrition Cluster			981,455
TOTAL U.S. DEPARTMENT OF AGRICULTURE			981,455
TOTAL FEDERAL ASSISTANCE			\$ 2,652,965

See accompanying notes to schedule
of expenditures of federal awards

MAYFIELD INDEPENDENT SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2012

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Mayfield Independent School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. Per USDA instructions, commodities expended are recorded at an amount equal to commodities received and the inventory at June 30, 2012 is combined with purchased food inventory.

NOTE C – RECONCILIATION OF SCHEDULE TO FINANCIAL STATEMENTS

The following is a reconciliation of the total in the schedule of expenditures of federal awards to the total federal revenue included in the statement of revenues, expenditures and changes in fund balances – governmental funds on page 12 of the audit report and in the statement of revenues, expenses, and changes in net assets – proprietary funds on page 15 of the audit report:

Total intergovernmental – indirect federal from page 12	\$	1,745,666
Total federal grants from page 15		931,501
Donated commodities from page 15		49,954
Plus: Sub salary reimbursement coded to 110-3126		196
Less: Medicaid reimbursements included in indirect federal on page 12		<u>(74,352)</u>
Total on page 45	\$	<u>2,652,965</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Kentucky State Committee for School District Audits
and Members of the Board of Education
Mayfield Independent School District
Mayfield, Kentucky

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mayfield Independent School District as of and for the year ended June 30, 2012, which collectively comprise the Mayfield Independent School District's basic financial statements and have issued my report thereon dated October 25, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract – General Audit Requirements*, *Appendix II to the Independent Auditor's Contract – State Audit Requirements*, *Appendix III to the Independent Auditor's Contract – Audit Extension Request* and *Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*.

Internal Control Over Financial Reporting

Management of the Mayfield Independent School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered Mayfield Independent School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mayfield Independent School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Mayfield Independent School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mayfield Independent School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. In addition, the results of my tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in Appendix II to the Independent Auditor's Contract – State Audit Requirements.

I noted certain matters that I reported to management of the Mayfield Independent School District in a separate letter dated October 25, 2012.

This report is intended solely for the information and use of members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Mayfield Independent School District, the Kentucky Department of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Kim Glavin". The signature is written in a cursive, somewhat stylized font.

Benton, Kentucky
October 25, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Kentucky State Committee for School District Audits
and Members of the Board of Education
Mayfield Independent School District
Mayfield, Kentucky

Compliance

I have audited Mayfield Independent School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Mayfield Independent School District's major federal programs for the year ended June 30, 2012. Mayfield Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Mayfield Independent School District's management. My responsibility is to express an opinion on Mayfield Independent School District's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract – General Audit Requirements*, *Appendix II to the Independent Auditor's Contract – State Audit Requirements*, *Appendix III to the Independent Auditor's Contract – Audit Extension Request* and *Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mayfield Independent School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Mayfield Independent School District's compliance with those requirements.

In my opinion, Mayfield Independent School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Mayfield Independent School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Mayfield Independent School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Mayfield Independent School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Mayfield Independent School District, the Kentucky Department of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Kim Ham". The signature is written in a cursive, somewhat stylized font.

Benton, Kentucky
October 25, 2012

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

I. SUMMARY OF AUDITOR'S RESULTS:

1. The auditor's report expresses an unqualified opinion on the financial statements of the Mayfield Independent School District.
2. No significant deficiencies in internal control over financial reporting were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Mayfield Independent School District were disclosed during the audit.
4. No significant deficiencies in internal control over the major federal award programs were disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for Mayfield Independent School District expresses an unqualified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 relative to the major federal award programs for Mayfield Independent School District.

7. The programs tested as major programs included:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Title I, Part A Cluster:	
Title I Grants to Local Educational Agencies	84.010
ARRA – Title I Grants to Local Educational Agencies	84.389

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Mayfield Independent School District did qualify as a low-risk auditee.

II. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings in the current year required to be reported in this schedule.

III. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings in the current year required to be reported in this schedule.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2012**

I. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings in the prior year that were required to be reported in this section.

II. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings in the prior year that were required to be reported in this section.

MANAGEMENT LETTER POINTS

Kentucky State Committee for School District Audits
and Members of the Board of Education of
Mayfield Independent School District
Mayfield, Kentucky

I have audited the financial statements of the Mayfield Independent School District for the year ended June 30, 2012, and have issued my report thereon dated October 25, 2012. In planning and performing my audit of the financial statements of Mayfield Independent School District, I considered the District's internal control to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during my audit, I became aware of several matters that are opportunities for strengthening internal controls or operating efficiency. These comments and recommendations have been discussed with the appropriate members of management and are intended to help the District comply with applicable laws and regulations, improve the internal control, or result in other operational efficiencies. These comments are summarized on the following pages.

This report is intended solely for the Board, management, and others within the organization as deemed appropriate.

Respectfully,

A handwritten signature in dark ink, appearing to read "Kim Glavin". The signature is written in a cursive, flowing style.

Benton, Kentucky
October 25, 2012

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS**

June 30, 2012

CORRECTED PRIOR YEAR COMMENTS

Payroll

In the prior year, we noted one employee who had listed employment with another school district on her application, which was used to calculate years of experience; however there was no documentation from the other school district to support this. Verbal verification was apparently obtained; however written documentation is necessary to support amounts paid. We recommended that when a new employee is hired, the payroll file should be flagged as incomplete until all documentation has been obtained from the employee, from former employers, or from colleges or universities to support information on the application. The accounts payable clerk has been given the responsibility to see that all paperwork is in the personnel files. While we did note proper paperwork to document experience in our current year test of payroll, we noted other documents that were not in the personnel files, as noted in the current year comment section below.

Cash

While reviewing scholarship files in the prior year, it was noted that two National Philanthropic Trust scholarships had been awarded in the total of \$4,000, with checks issued to the district. Instead of depositing these checks, they were endorsed and used to purchase cashiers' checks payable to the students. These scholarships were not recorded in the accounting system. We recommended that all checks made payable to the district be deposited and recorded in the accounting system, then district checks should be made payable to the students that were awarded the scholarships, with those also being recorded. The finance officer began overseeing the scholarship funds and all checks received were deposited to the proper account.

Travel

In a random sample of disbursements in the prior year, we noted four reimbursements for travel that either was paid from a standard invoice with no travel voucher or the form was not signed as approved. Board policies require that travel be approved in advance and that proper forms be completed with receipts attached. We recommended that no reimbursements be made unless procedures had been followed. The travel policy was circulated to appropriate personnel and we noted adherence to the policy in our current year test of disbursements.

Standard Invoice Approvals

In the prior year test of disbursements, we noted five standard invoices for attendance awards and employee reimbursements that were not signed by the person responsible for approving the disbursement. We recommended that standard invoices be signed for approval prior to payment. Procedures were already in place to require this, but some were overlooked. In our current year test of disbursements, we noted procedures were properly followed.

School Activity Funds

In our test of cash receipts at the high school, we noted that unsold tickets for one fundraiser were not retained. We recommended that unsold tickets be retained in the future as evidence of the number sold.

In our test of disbursements at the high school, we noted a check to KHSAA for tickets sold; however no form was retained to document the number sold and at what price. We recommended that a form be completed for these types of advance sales that should be similar to the forms used for ticket sales at home games. In this same test, we noted one payment to an employee for travel which included reimbursement for beverages, as well as a daily meal allowance. We recommended that receipts be closely examined to determine that all items are allowable. The activity fund treasurer stated she would follow the recommendations. In our current year test of disbursements, we noted that proper procedures were followed in each of these areas.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS (CONTINUED)**

June 30, 2012

CURRENT YEAR COMMENTS

Payroll

We performed a test of payroll procedures for forty employees. Of those tested, we noted three that lacked sufficient documentation to determine that gross pay was accurately calculated. One employee that was tested did not have a personnel file. The employee was hired as a paraprofessional and no personnel file was kept. We recommend that a file be kept for every person included on the payroll system. When the salary is not included on the approved salary schedule, documentation should be retained to indicate the agreed amount signed by the person approving the pay. Another employee that was tested was being paid as a classified employee with a higher education degree, which means that the pay is at the highest rate within the employee's position. There was no evidence of a degree being obtained in the file. The new payroll clerk called the employee to obtain the evidence; however, a copy of the pertinent paperwork should be obtained prior to the first pay period. Another employee that was tested was being paid at rank one; however no rank one certificate was in the file. While the payroll clerk is able to access a website that will indicate the rank obtained for each teacher, there was no evidence retained in the file that this was ever done at the time the pay rate was changed. We recommend that all evidence be obtained and kept in the file prior to the first pay period for which the change applies.

Management's Response:

The person that is currently in charge of collecting personnel information for all substitutes in the District will begin immediately being the lead person in obtaining all personnel information for all new employees. She will be responsible for obtaining the necessary information on all persons to be paid. Prior to their initial pay date, a review committee of that person, district finance officer, and payroll clerk will review all new employee files to assure that needed documentation has been provided prior to payment being made.

School Activity Funds – Mayfield Middle School

The concession stand is worked by members of various clubs. The only documentation submitted by each club was a sheet that listed each product, how many of each was sold, an extended price by item and a total of sales. In our test of controls over inventory, we were able to match the total sales on the sheet to the deposit; however, we did not locate any inventory lists. Normally inventory should be taken on a monthly basis; however, when there are different clubs responsible for the sale of inventory on a rotating basis, we recommend that inventory be taken at the end of each event, if the next event will be worked by a different club. An inventory control worksheet should be prepared to reconcile inventory, sales, and purchases each time an inventory is taken. If there is a shortage, this method would help determine which club is responsible and explanations can be obtained at that time.

Tickets that are sold for entrance to athletic events were used for a raffle; however, the documentation retained included only the winning ticket and did not list the ticket numbers that were sold in order to calculate the amount of funds that should have been deposited from the sales. We recommend using a form similar to the form used to account for tickets sold at athletic events in order to properly account for all tickets sold from a roll.

Management's Response:

There will be an inventory control sheet with items counted before and after events when the concession stands are open. The various clubs will be asked to keep track of items and turn their inventory control sheets in at the end of every event/game. This will be for candy kept by each club. Another ongoing inventory for drinks will be kept cumulatively by all clubs. This should account for any loss.

In response to our annual homecoming ticket sales, a local business donates eight thousand individually numbered tickets to the school. These are distributed to every homeroom class, where students can volunteer to sell them. Teachers will be expected to maintain and turn in a ticket inventory sheet for all the tickets they are given and that are sold. The office will then do a cumulative inventory sheet to account for all tickets.

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS (CONTINUED)**

June 30, 2012

School Activity Funds – Mayfield High School

We would also recommend the use of fundraiser worksheets at the high school. Although the fundraisers we tested appeared to have reasonable amounts collected when compared to the amounts purchased, we feel the worksheet will provide a better tool for control purposes throughout the year.

Management's Response:

The high school has printed off fundraiser sheets from the Red Book and will begin using them immediately.